market reconciliation of lease variables, are those properties that you are currently leasing, are you an agent on?

A. I am agent on all of them. At the time, I was not agent on 814 West McNeese Street, third floor, with a commencement date of 2013.

Q. Okay. You said at the time you weren't, but you are now?

A. That's correct.

Q. Okay. So all of these properties, you were or are an agent for. And it lists the effective rental rate per square footage, effective net rate, lease type, term months, and commencement date.

A. Yes, ma'am.

Q. Okay. And so the second part of the sheet, can you explain that to me, the single tenant?

A. Yeah. So the -- the subject property of this -- of this Exhibit B was a property on Debakey Drive. I utilized the current gross rent that the tenant was paying.

And then I got from the owner all of his actual operating expenses, as well as a reserve, to drill down to what his net rent currently was. So after I deducted $41,000 of operating expenses, it indicated that his net rent was $11.94 per square foot --

Q. Okay.
A. -- and that that was below market.
Q. So this second section of Exhibit B is not relevant to the issues in this litigation because this is particular to a separate tenant -- I mean a separate owner?
A. It's pertinent to a separate owner, but it just -- so those -- that is not relative to 620 Esplanade Street explicitly, but it -- I did insert this and left that in to go to how I arrive at making adjustments of operating expenses on a case-by-case basis.
Q. Okay. And back in your report, you said based on this exhibit. You have a net rental rate of 13.81.
Can you explain to me how you get 13.81 from this exhibit?
A. Let's see. I'm going back to -- okay. So I would have done -- I'm going back to Exhibit B. The subject property is not in a flood zone. It is multi-tenant. And we were -- had been approached for a lease longer than 41 months.
And so based upon the contributing factors of the average net rent; the 14.33, the average net of a flood zone X, 14.63; the multi-tenant net rate of 13.94; and a net rate of longer than 41 months, I used those

four indicators in some relative percentage and arrived at $13.81 a foot as a net rate.
Q. Okay. And you said "some relative percentage." What percentage was that?
A. Roughly 25 percent each.
Q. 25 percent of those -- the flood zone, multi-tenant, longer than 41 months?
A. Yes, ma'am.
Q. Okay. And then we will now get to Exhibit A, which you said you relied on Exhibit A in preparing Exhibit B, correct?
A. That's correct.
Q. Okay. And so when did you prepare Exhibit A?
A. Exhibit A is -- the basis of it is something that I've had as part of my work product for many years. I would say the first three or four columns are data that I had in my files for some time.
Certainly, anything related to damage level or pre-storm vacancy estimate -- anything referencing pre-storm would have occurred after August 28th and was probably put together -- you know, this form was updated in September -- late September, early October, maybe mid-September of 2020.
Q. So you prepared this in mid-September 2020?
A. I updated it, yes.

Q. Updated. Because you already had the first three columns? You had that information?

A. Yes, ma'am.

Q. Okay. And so again, when you prepared this Exhibit A, this wasn't prepared particularly for this litigation or this report; is that correct?

A. That's correct.

Q. Okay. And so you said you already had the information on the first three columns with the tenants, the square footage.

Are these all buildings that you are an agent on?

A. No, ma'am.

Q. Okay. So you pulled these -- where do you pull this information within the first three columns? How did you get this information?

A. From experience, just being in this marketplace for 15 years, doing office leasing and sales and investments.

Q. Okay. And when we get to the column of damage level, this is damage level from Hurricane Laura?

A. That's correct.

Q. In August 2020?

A. Yes, ma'am.

Q. Okay. And so how did you determine the damage

level for each of these buildings?
A. I spoke with different owners and property managers, and I used those terms -- those differentiators of serious, substantial, minor, none, unknown are just my -- my reference points.
For purposes of this, serious was going to take more than -- most likely totaled and most likely not going to come back to market. Possibly -- you know, possibly at least a year to rebuild.
Q. And so were you putting like a dollar amount of repairs? Like how did you determine whether it was repairable or coming back to the market or not?
A. I would talk with different owners about their intentions and talk with different colleagues about what they're hearing from market -- market updates, as well as property managers.
Q. Okay. And so these -- these categories -- serious, substantial, minor, none -- all of this, these are search terms that you created and that you put into these categories from speaking with all of the property managers of all of the buildings on this list?
A. If I was not the listing agent on it, then, yes, it was from conversation, with the exception of the three unknowns.
Q. Okay. And there was no dollar amount as far as

what damages constituted serious versus substantial versus minor? Were you only looking at it from a dollar amount or the time it would take to rebuild?
A. I was not looking at it from a dollar amount. I was looking at it from a standpoint of time to build.
Q. Okay. And so for the substantial category -- what is the number next to serious, substantial, minor, none? What is the next column?
A. That's the total square footage of the buildings that are reflected as serious, substantial, et cetera, et cetera.
Q. Okay. And then what's the next column?
A. That would be available square footage.
Q. Available square footage, is that available to rent or lease?
A. Available to rent. Available to rent.
Q. Okay. And so where it says substantial column, you have 22,233 available square footage. And then where it says December 15, 2020, to April 1, 2020, completion estimates --
A. Uh-huh.
Q. -- where are you getting that information from?
A. From property owners.
Q. Okay. So when we go back to the list on the left and we look in the column that says "Damage Level,"

for example, the Wise Building, so you spoke with property owners at the Wise Building and they estimated completion somewhere between December and April?

A. Yes.

Q. Do you know, is that building completed?

A. I believe -- I believe it is. I -- I know the broker who owns -- it's actually a broker that owns it. I don't know if they had delays in getting it completed or not.

Q. Okay. What about Bayou Pines East and West?

A. Yes. Those were -- those were completed -- hurricane repairs were completed. The first suite came back on December 28th; the last suite came back on January 25th.

Q. Okay. And again, when you're -- the damage level, when you're quantifying that as substantial, you're only basing it on the time the building owners estimated to get it back into commerce. It could have had minor damage, but it would take them a long time to get it back and it would still be in the substantial category?

A. I'm sorry. Can you ask that question one more time?

Q. Yes. I'm sorry. That was a poorly phrased question.

So for the damage level, you have placed a category of substantial. And you said that was based on how long it would take a building owner to get the property back in commerce, correct?

A. That's correct, based upon the time frame it -- you know, arranged. Yes.

Q. Okay. And not necessarily based on the actual damages sustained by the building during Hurricane Laura?

A. That's correct.

Q. Okay. And so, for example, Bayou Pines East and West, you said that they were back on the market in December and January, respectively.

Do you know the extent of the damage for both of those buildings, how badly were the buildings damaged in Hurricane Laura?

A. I do. Very familiar. They -- we had -- we lost two property -- two buildings were totaled. Bayou Pines East is one building of 20,000 square feet. Bayou Pines West was five buildings. At the time, 27,000 square feet of space.

Two buildings at Bayou Pines West were totaled. The remaining three buildings, you know, took -- took, you know, five months to finish restoring. The Bayou Pines West -- excuse me, East sustained about

$2.6 million worth of damage and loss.
Q. Okay. And you said it took about five months. Is that because they started repairs immediately, in August or September?
A. They started pretty quickly, yes.
Q. Okay.
A. A remediation contractor was on the ground as soon as the storm passed, and they worked pretty diligently to get it done.
Q. Okay. And so when you prepared Exhibit A, this is just -- you said you used Exhibit A to prepare Exhibit B as far as the square footage and the, you know, vacancy and stuff.
But the classification of serious, substantial, minor, none, unknown, and the amount of time that it would take to complete these repairs for these buildings, this was solely based on conversations that you had with property owners, correct?
A. Correct.
Q. And so was there any methodology in you determining these numbers? Or this was just based on conversations?
A. Based upon conversations, specifically asking how long is it going to take for -- to get the property back online. The biggest -- the biggest data point in

the whole inventory is the Capital One Tower. It's 354,000 square feet. It was 40 percent of our market. And that building is owned by an out-of-state investor. One of their agents on their New Orleans buildings is a colleague, and we had conversations about the Lake Charles building.

But let's see. Yeah, talked with all of these owners and/or property managers.

Q. Okay. Okay. So we'll go back to your report. And so you have the -- your opinion that a net rent of 13.81 is the baseline from a pre-hurricane perspective. And we looked at and compared that with Exhibit B. And you said you used the percentages of all those different categories on Exhibit B.

Is that just how you decided to do this, or are there any standard for real estate brokers to calculate potential net rent rates?

A. I try to evaluate as many -- as many reasonable variables as possible. Not as many but -- well, let me say that more clearly.

I try to take into consideration significant differentiators when evaluating data points. So I don't look exclusively at a flood zone. I don't look exclusively at a -- at lease term. I don't look exclusively at single tenant versus multi-tenant.

I try to take into consideration reasonable variables so that my opinion is not solely based on one metric. And I wanted to ensure that I did not overestimate the hurricane impacts by utilizing lease comparables pre-hurricane.

Q. Okay. And so are there any written standards that real estate brokers should apply in calculating a lease rate?

A. There's not a specific recipe, but I think it's prudent to consider more than just one factor in making suggestions or coming to conclusions.

Q. Okay. So there's no written standards that you would apply. You would just use --

A. My own experience and the effectiveness that that has had with 15 years of client work.

Q. All right. And so the next paragraph you have, "In comparing Exhibits D and E, the differential of the net present value calculations of the leases is a measured loss of $490,845" in income.

So now we will go through exhibits D and E as well.

A. Okay.

Q. Give me one second to bring it up.

Okay. So Exhibit D, when did you prepare this document?

A. It appears it was in September of 2021, September 23rd.
Q. You prepared this in September 2021, Exhibit D?
A. Oh, wait. I'm sorry. Excuse me. The offer was received September 23, 2021. This -- this spreadsheet was prepared a few months ago as part of this assignment.
Q. This report. Okay.
A. Yes.
Q. And this is the BHG lease proposal evaluation, correct?
A. Correct.
Q. That's how you labeled this document.
Okay. And on this document you say, "These numbers are from an actual offer received."
A. It's from a letter of intent we received.
Q. An offer?
A. Yes.
Q. Can you tell me about this -- the offer that was received?
A. This was from a behavioral health group that was -- that came to us through a Newmark Knight broker out of Tennessee, I believe, representing this health care provider.
Their property that they were located at, at

2829, was heavily damaged and did not know if they were going to be able to get back into that property quick enough.

They ultimately waited for their property to be restored and not -- we could not come to -- we did not come to terms with them. We did not have clarity that we could get them in by January 1st, which was a prerequisite of their letter of intent.

Q. Okay. Let's look at their letter of intent that's Exhibit C. Correct?

A. That's correct.

Q. And this looks like it was a document that had some redline edits to it. Is that why things are crossed out and in different colors?

A. That's correct.

Q. Okay. And I want to make sure I'm reading these edits correctly. The original letter was sent on September 11, 2020?

A. Correct.

Q. Okay. And this edit from September 23, 2020, was that your edits?

A. Correct.

Q. Okay. This March 15, 2021, date?

A. That's just an anomaly. Can't explain that.

Q. Okay.

A. Because this was a dead deal by then.
Q. A dead deal by March 15, 2021?
A. Yes, ma'am.
Q. Okay. And so in this letter, James Rainer requests a lease proposal for 620 Esplanade in Lake Charles, correct?
A. For the second floor, yes.
Q. Okay. And you said in their letter of intent, there was a prerequisite to be in the building by January 2021.
Where is that in this letter of intent, so I know I'm following you correctly?
A. If you look at -- underneath premises, they wanted the lease commencement delivery date to be upon lease execution. They wanted to occupy the space as quickly as possible. In conversation with them, our working notion was that we were shooting for December 31st, January 1st completion. We could not get them in immediately, at least execution, but that we would move as quickly as we possibly could.
Q. And so this January 2021 date came about through conversations that you had with James Rainer?
A. As well as based upon conversations with Joey.
Q. Okay. Do you have any communications between you and James Rainer where this January 2021 -- that BHG

needed to be in the property by January 2021?
A. Not that I recall off the top of my head.
Q. Okay. And so in this letter of intent, the -- BHG requested that you indicate the most aggressive gross rental rate. And the blue underlined rental rate underneath that, is that something that you added?
A. That's correct.
Q. So $16 per rentable square foot and $19 for years six through ten. Current NNN charges are $6.50 per square foot.
Did I read that correctly?
A. Yes, ma'am.
Q. And so BHG requested a gross rental rate, and you responded with a net rental rate; is that correct?
A. That's correct.
Q. Okay. Was BHG amenable to a net rental rate since they requested a gross rental rate?
A. We talked a little bit further beyond this, but ultimately, no, they were not in agreement.
Q. So they were not in agreement on the rental terms that you provided, as far as the rental rate goes?
A. Correct.
Q. And so you sent this document -- they were -- I'm sorry. Strike that. Start over.

They provided this letter of intent that requested a proposal on September 11th. You provided a response on September 23, 2020, correct?
A. Yes.
Q. Okay. Were there any further negotiations after you provided this response with the net rental rate?
A. I think we had some limited conversation. That's the extent of it.
Q. And is the reason that they chose not to lease this space is because they couldn't agree on the rental term?
A. That was a portion of it. They were -- they had conversation with their current landlord that they thought that they could get in a little quicker to where they were hoping to go back to, but they ended up not -- just got back into their lease space about 45 days ago.
Q. Okay. So if we go back to Exhibit D. And when you say that these numbers were for an actual offer received, tenant wanted gross lease; we wanted net lease. And that goes back to they requested a gross rental rate; you responded with a net rental rate?
A. That's correct.
Q. And BHG was not agreeable to the net rental

rate that you proposed?

A. They were not in agreement, no.

Q. Okay.

A. But we were prepared to further negotiate and just didn't go anywhere.

Q. And why didn't the negotiations go anywhere?

A. I think they felt like they were going to be able to get back into their own space sooner than they had originally envisioned or were willing to wait. I don't know exactly. But those were two things that came up.

Q. Okay. So Exhibit D -- and you have the price per square foot annual, 16 for the first five years and 19 for the second. Is that a gross or a net rate that you indicate there?

A. That's just the gross -- excuse me. That's just the net component.

Q. Okay. That's the net component.

And then you add the -- these numbers for 2021, '22, all the way through 2030. Is this the income that would be generated under a potential lease with these numbers?

A. That's correct.

Q. Okay. And then you have a gross value, and then NPV.

A. The net present value calculation using a discount rate of 3 percent.
Q. Can you tell me where you get this 3 percent discount rate?
A. I used a safe haven, some premium over ten-year treasury -- treasury yield.
Q. I'm sorry. A safe haven premium at the treasury?
A. A premium over a safe haven, like a ten-year treasury yield.
Q. Okay. And would a discount rate differ where you're at in your location? So like in Lake Charles, Louisiana, would a discount rate differ?
A. Not a discount rate. I mean, a discount for benchmarking purposes, not necessarily.
Q. Okay. Can you explain for the record what the discount rate means?
A. As an -- a discount rate is used to balance out alternative investment.
Q. Okay.
A. So the higher -- the lower the discount rate, the higher the net present value. The higher the discount rate, the lower the net present value.
Q. Okay. And when you say that it discounts the investment, so it wouldn't matter where you're at in

your location. As if you're investing in Lake Charles, Louisiana, or if you're investing in New York City, would a discount rate differ in those situations?

A. Cap rates will differ, but that's not the same thing. Discount rate is a measure of the potential alternative investment of -- summary of cash flows.

Q. Okay. And so you determined a discount rate, and you based it on the treasury, you said?

A. Yeah. Ten-year treasury at the time was probably 1.2 percent, and so I used a higher discount rate.

Q. A higher discount rate than the treasury?

A. Yes.

Q. Okay. At 3 percent?

A. Yes, ma'am.

Q. Okay. And again, you just picked this number. Are there any standards to determine which number you should pick for a discount rate to get the net present value?

A. That's the number I chose to use, knowing that it was higher than buying a federal bond.

Q. Okay. So essentially on this Exhibit D, you're looking at a potential of a ten-year lease, correct?

A. That's correct.

Q. And so you have on here, based on an actual

offer received, but it's an offer that didn't go anywhere, correct?

A. No, we didn't close it. We did not.

Q. And it's an offer that was refused, in part, because of the rental rate that you offered, correct?

A. But also in part because we weren't going to be able to finish in time.

Q. Okay. Can you explain that, in part because you weren't going to be able to finish in time? Can you elaborate on that?

A. The tenant wanted to move in as quickly as they could sign a lease and no later than the end of December.

Q. So in September -- when you replied to their offer on September 23, 2021, did you advise that they could or could not get into the property before January 2021?

A. I think it was probably after that.

Q. Do you recall when?

A. I don't recall exactly when, no.

Q. Okay. But in general, when you offered -- they requested a gross lease, you offered a net lease. Negotiations fizzled out after that point. You didn't continue negotiating on numbers or anything?

A. No. We chose not to. We were -- we were

having a struggle assessing how quickly we could actually get the property restored.

Q. Okay. And so the net present value that you have calculated under 1,774,685, based on the 3 percent discount rate, you say that's the net present value of a potential ten-year lease using a gross -- I'm sorry, using net lease numbers, correct?

A. That's correct.

Q. Okay. I'm going to go back to the discount rate. So are there any standards in real estate brokers setting a discount rate to determine net present value? Are there any written standards that you would follow?

A. There's not a textbook that says this is the rate we use, but we learn that there are -- discount rate is akin and very similar to the term "opportunity cost." And so to equate something into today's dollars, you have to use a discount process or a net present value calculation with a discount rate.

And so you could -- you could -- some companies have specific opportunity cost rates that they don't publish that they use for their discounting purposes. But for -- for this, I used a premium to a standard, highly published, highly monitored yield calculation, and that being U.S. ten-year treasury.

Q. Okay. And that's not specific to real estate,

correct, the discount rate for the treasury?
A. The net present value calculation is used across more than just real estate.
Q. Right. But the discount rate that you used from the treasury, that's not specific to real estate, correct?
A. That's correct.
Q. Okay. So within the purposes of just real estate, are there any standards for a real estate broker to look to to determine a discount rate for a net present value in a real estate transaction?
A. Short of it being a public company, no. I mean, if it's a public company and you can get from them -- or a very large private company and you can actually get them to tell you what their opportunity cost is, then you're left to your own reasonable devices based upon experience and -- and prudent guidance so that it's not -- doesn't have poor outcomes.
Q. Okay. Do you consider a discount rate to reflect the risk of a real estate investment?
A. Ask me that one more time, if you don't mind, Ms. Payne.
Q. Do you consider the discount rate to reflect the risk of a real estate investment?
A. The dis- -- the discount rate -- not

necessarily the number that I use. But in principle, the discount rate is to ultimately arrive at a net present value calculation on a series of future cash events.

We use them in real estate on a regular basis as guidance. Not everything in a ten-year illustration -- if you looked at it from today ten years out, as you would project, and if you looked at it in the future ten-years in arrears, things don't always go exactly as they're envisioned. But it's enough of a tool to help us arrive at go/no-go decisions. So we use discount rate fairly often.

Q. Okay. And again, I guess I'll -- just want to make sure you answered my question fully. So do you consider a discount rate -- when you're applying a discount rate to a net present value in a real estate transaction, do you consider the discount rate being a risk of investment in that real estate transaction?

A. If I'm comparing a couple of different scenarios, yes, so long as you're looking -- using the same rate in both observations.

Q. Okay. We'll move on to Exhibit E because, again, we were in your report where you say you compare Exhibit D and Exhibit E.

So now Exhibit E. Can you explain this exhibit

to me?
A. Yes. So I looked at -- tried to forecast -- assuming that the property was ready to be leased in June of this year or July 1 at the latest.
Q. Okay. And what did you base that assumption on?
A. That at the time, the property still was not completely renovated and available for occupancy.
Q. Okay. Is it available for occupancy now?
A. By and large, for the most part, yeah. It's ready now with a few punch list items.
Q. So the contractor is still completing work on the second floor?
A. Yes, ma'am.
Q. Is this renovation a repair work from the hurricane or is this additional work under an additional scope?
A. No. I think he's just finishing up the last items on the hurricane-related work.
Q. In August of 2021?
A. Yes, ma'am.
Q. Okay. I'm sorry. Keep going.
A. That's okay. So I looked at my current workload on what office tenants are looking for. I used -- at this time when I prepared this, the State of

Louisiana was willing to consider three-year leases as part of their emergency procurement in relation to Hurricane Laura. They've actually backed off of that now, and the most they'll do is a firm two-year lease. But other tenants in the market are, on average, looking for about a four-year lease.

There are other properties that are going to have their repairs completed later this year. There's new construction that's going to be taking place in the next -- commencing in the next, I don't know, 120 days and take about a year to build some of these newer properties that are coming up. Some tenants may wait for new properties.

But I think the best that we'll do at the moment is -- would be a four-year. More likely, we're going to get a two-year from the state because that's all they're willing to commit to at this moment in time.

And so I used a -- a premium on square foot net rate to try to balance out the gap between the ten-year deal and the shorter-term deal that we're still not -- we should be ready for, you know, very soon.

Q. And so, in essence, when you're comparing exhibits D and E, you're comparing a ten-year lease versus a four-year lease; is that correct?

A. That's correct.

Q. Okay. And this -- on Exhibit E, that's a net rate, you said?
A. Yes, ma'am.
Q. And on Exhibit D, it was a net rate as well?
A. The net illustrated, yes.
Q. Okay. So again, when you're comparing exhibits D and E, you're comparing a potential ten-year lease and a potential four-year lease; is that correct?
A. Yes, ma'am.
Q. Okay. And again, when we looked at Exhibit D, which was this BHG lease proposal evaluation, there were other reasons why this lease did not -- wasn't signed, correct?
A. More than one reason, yes.
Q. Okay. And one of those reasons was that you couldn't agree to the lease terms as far as rental rate; is that correct?
A. We had a breakdown in negotiations that was -- that we felt was potentially solvable if we could affirm to them delivery of the space.
Q. Okay. You felt they were potentially resolvable, but BHG did not respond to your offer of a net lease; is that correct?
A. We had conversations over the phone. There was no written correspondence after that that I recall.

Q. Okay. And so -- I'm sorry. I'm going to go back to your report.

So when you look at this measured loss of rental income, you are comparing a potential ten-year lease with a potential four-year lease; is that correct?

A. Trying to measure the difference between the two in today's dollars. Yes.

Q. Okay. And again, it's just solely based on ten-year versus four-year?

A. Correct.

Q. Okay. And when you're measuring this, you know, loss of rental income, I'm going to ask you this again, are there any standards that a real estate broker -- written standards that a real estate broker would use in measuring lost income?

A. One -- to quantity -- I think what I've outlined is to quantify one income stream discounted at a particular rate versus a different income stream discounted at the same rate to get to what the delta, or the difference, is between the two.

Q. Okay. And so are there any written standards that tell real estate brokers how to do that? Or what you decided to do here, are there any written standards that you followed in measuring this lost rental income?

A. Standard of practice from CCIM education is

to --
Q. CCIM education?
A. CCIM, yes, ma'am.
Q. Okay. And what is the standard called? If you were to go look them up today and show me where it tells you how to do this, can you tell me where this came from?
A. The concept was learned in CCIM education. And there are spreadsheet templates that CCIM prepares for its members and designees to teach how to measure the difference between one set of cash flows versus another, utilizing net present value calculation.
Q. Do you have those templates?
A. Sure, yeah.
Q. Okay. Did you rely on those templates in preparing this report?
A. I did not use the templates; I used the education.
Q. Okay. Could we get a copy of those standards that you're referring to?
A. Of course.
Q. Okay. So again, when you're measuring this measured loss of rental income and you're comparing a ten-year lease and a four-year lease and you're measuring the income loss, you're assuming that the

second floor would remain vacant --
A. Excuse me. The income difference.
Q. The income difference.
When you're measuring -- when you get this $490,845 and you're comparing Exhibits D and E, you're assuming that under the second scenario, with a four-year lease, that the property would remain vacant after four years; is that correct?
A. It only solves -- it solves for the difference between the two sets of cash flows.
Q. Correct. But your -- these -- this number right here is assuming that the second floor would be vacant following that four-year lease term?
A. It could very well be vacant depending upon how much supply comes back to the market over that four-year period.
Q. But is your calculation assuming that it is vacant? If it would be either a ten-year rental income under Exhibit D or a four-year rental income under Exhibit E, and so it's assuming that the six years difference, that the property would remain vacant; is that correct?
A. It's the same assumption in both models. D assumes it's vacant after ten; E assumes it's vacant after four.

Q. Okay. But if, in fact, you signed another lease -- under the Exhibit E scenario, if you signed another four-year lease using those same terms, there would be a loss; is that correct?

A. It would be a different loss. But as it stands right now, we may only get a two-year. So what we're solving for is what if, and now it's coming into vision, as to not what if but when.

Q. Okay. And then when you say that you're solving for what if, on Exhibit E, again, you're only assuming that the property would be leased for four years and it would be vacant after that; is that correct?

A. I'll say again. It's the same in both exhibits, D and E. It assumes vacancy after the stream of cash flows. Yes.

Q. Okay. And again, on Exhibit D, the ten-year lease, that's assuming that you would have come to terms on lease rental rates and whatnot and assuming that BHG did not decide to stay at its current lease location; is that correct?

A. That's correct. We --

Q. Okay.

A. Based upon the complete conversation that we had with them, yes.

Q. Okay. So the next paragraph is Exhibit F, which you say was produced in September 2020 --
A. Yes, ma'am.
Q. -- as a guidance to the owner on how to strategize on leasing of the space and at what expense; is that correct?
A. Not just leasing up -- yes, leasing up the space and what that could mean for him long -- longer term as part of a full financial recovery.
Q. I'm going to go to Exhibit F now.
A. I'm there.
Q. I'm not there yet. Give me one second.
A. That's fine. Thank you, Ms. Payne.
Q. So you prepared this in September 2020, prior to this lawsuit and prior to this report. This was prepared --
A. Correct.
Q. -- prior to that. Okay.
If you could walk me through the items on this spreadsheet, that would be great.
A. Okay. What I initially did was to take a look at Eaux Holdings' current loan balance, what their monthly payment to the bank was on that loan. Tried to assess, you know, what's -- what's the maximum that -- maximum insurance proceeds, what was the policy

limit of the property.

At the time, the price for a new roof was estimated at $550,000. Joey had spent to date, at that time, about $56,000 with, I guess, a remediation company and temporary roofing or tarping. There was a number thrown out for conversation of the interior rebuild, which was a million, three.

And so what I tried to do is to look forward -- or compare plans A and B, depending upon a couple of lease scenarios, as to what the property could be worth and refinanced to make further improvements or to -- for him to use cash for other needs based upon property valuation once it's complete.

Q. Okay.

A. So I compared a plan A, which was, at the time, based upon immigrations and customs renewing -- or executing a new 15-year lease and then looking at, in plan A, either BHG coming to the table or some other nongovernmental entity. And then in plan B, to the right, some other federal agency under GSA.

And a cap rate application would differ in plan A versus plan B. The federal government is one of the most sought after credit tenants that an investor will pay for because of the creditworthiness and full faith and performance of the U.S. federal government and

their length of lease terms that they sign for.

So I compared A and B to paint a path forward for Joey, to give him something to look forward to in the midst of trying to rebuild his property, tried to get him some purpose and to quantify what --

Q. He was -- I'm sorry. Go ahead.

A. And wanted to quantify what the big picture was in terms of getting the property restored and why and whether he chose to hold it or sell it. Just needed to outline some aspirational goals for him.

Q. Can you explain this column, the potential new finance proceeds that you have, "See plan A below and see plan B"? Can you tell me where those numbers come from?

A. Yes, ma'am. So if you look down in the plan A box section, I make a note, "Refinance up to LTV," that stands for loan to value, "of 60 percent." And that 60 percent number is $2,012,888 and change. That is reflective of 60 percent of the $3,354,000 number just above it.

That 3,354,000 square foot value is utilizing the $226,000 of net rental income, in the line above, divided by a market cap rate, or capitalization rate, of 6.75 percent.

So I was trying to paint a cautious picture not

to over-leverage the property, be conservative, that would allow for other improvements to the property as well as other refinance proceeds that Joey could deploy if he had needs in other places.

Q. Okay. So what -- this value after completion, the 3.3 million, is that the value of the building and the property and everything itself or just the value of the rental?

A. That's the value of the property itself.

Q. The property itself. Okay.

A. Projected value.

Q. After completion of the hurricane rebuild?

A. Hurricane rebuild and absorption -- leasing of the second floor, yes.

Q. Okay. And so I'm sorry. I interrupted you, so I wanted to get back. So you have the 60 percent of the refinance.

A. Uh-huh. So that's 60 percent of 2,012,000, is the new loan -- would be the new loan value in this model. And then you subtract from it the current loan balance, which generates potential new finance proceeds of $912,888.

Q. And so when you have refinance up to the loan value, are you -- are you saying that he could have refinanced and taken the money out of that? Or where

are you getting this new potential finance proceeds? Where are they coming from?

A. If he were to, at some point between September 22nd of last year and whenever, to have a -- I crafted this plan with the intent that he could, once we get a tenant in the building, a quality tenant, what's the property going to be worth in the future or in the very near term. Okay. So what's it worth.

And then what's an appropriate amount of debt to put on the property. And from that debt, you're paying off the original mortgage. And then there's cash available to either make further improvements or to put into other cash needs that he might have at that property or somewhere else.

Q. Okay. Did Joey express an interest in -- did Joey express an interest in selling the property or refinancing?

A. He has expressed interest in selling on more than one conversation. Part of it is the stress of what the last 11 months has held with hurricane recovery.

He has not made his mind up -- let me rephrase that. If he has made his mind up about selling this or keeping this, he's not told me yet what his ultimate decision is going to be. But at many times we've talked about getting it leased up and then selling it.

Q. What about prior to the hurricane? Had you done any of these types of evaluations on, once you finally got a tenant in the second floor, what Mr. Odom could do with the property after that?
A. No. At the time, he hadn't talked about selling it. It wasn't anything that we had discussed. It was primarily focused on leasing.
Q. Okay. Because the second floor remained vacant from when you listed it in July 2019 through the -- through today, correct?
A. June 2019. Yes.
Q. June 2019. Okay.
And he expressed no interest in selling or refinancing or doing any of that prior to the hurricane?
A. No, ma'am.
Q. Okay. Okay. So you talked about the cap rate on plan A versus the cap rate on plan B, and I understand the governmental tenant would have a lower cap rate.
How did you reach the cap rate for plan A with a governmental entity on the first floor and a nongovernmental entity on the second floor?
A. So I use 6 percent on all federal government. I use 6.75 on mixed, GSA, non-GSA. I would use an 8 percent on non-GSA, but I weighted it more towards the

6 percent of GSA since they signed -- since they were signing a 15-year firm term lease. So I put a little bit more credence on the 6 percent cap market comparable for GSA.

Q. Okay. Again, are there any written standards to determine what type of cap rate should be applied?

A. Market knowledge, conversation with other brokers is the basis that I used for --

Q. Okay. So no written standards?

A. There's not a -- there's not a written empirical standard just because cap rates change with economies. They also change with interest rate policy and interest rate risk. And so a cap rate today on GSA, that same cap rate next year could be 7 percent; it could be 5 percent. It does move.

Q. Okay. And you would be the one that would determine whether it would move or not, correct?

A. I would be the one to measure.

Q. And how do you measure?

A. I look at comparables; talk with other brokers on transactions that they've traded, to see exactly what they've traded at; talk with appraisers to try to get an up-to-date, current sense of where things are.

Q. Okay. And so the main difference between this plan A and plan B stems from the cap rate, correct?

A. Yes, ma'am.

Q. So the higher cap rate -- or the lower cap rate on plan B gives more residual finance funds --

A. Uh-huh.

Q. -- and potential new finance proceeds?

A. That's correct.

Q. And the cap rate is based on the tenant?

A. Tenants or -- yes, tenants.

Q. Okay.

A. And again, this is to the -- this was -- this was crafted 11 -- about ten and a half months ago as a -- to establish a range for Joey. This is to try to help him focus on, okay, if you don't want to hold on to this anymore, if this is too stressful given all that's taken place, here's the big picture.

And it was to establish a range of value in the future that has a bandwidth of, you know, $420,000, is the difference between these two values going forward.

Q. Okay. And so the value after completion under, you know, either plan, is that the -- is that the amount that you believe it could have sold for if you decided to sell the property?

A. I think that those -- they're very close. I think the strategy at the time was to call for the refinance, more so than the sale. If you look down

at -- in red at the bottom, where it says "DCR ratio," that DCR -- I'm sorry, Ms. Payne. I'm on Exhibit F, again, under -- under plan A and plan B.
Q. Yes.
A. I wanted to -- what I wanted to quantify and display was, okay, let's get through these processes. Certainly, I shared with Joey the building -- the property is going to be worth more leased than not. And if we're able to get the property leased and then refinance, how much is that -- you know, is it tolerable to refinance.
And these DCR ratios, that's a debt coverage ratio, in plan A, it was a debt coverage ratio of 1.56 to 1. What that means is, is that for every dollar of debt, there was $1.56 of income. That's a very healthy debt coverage ratio from a lending standpoint.
Banks use debt coverage ratios in their underwriting. They also look at loan to value. They will look at global debt coverage ratio of a borrower, not just at a property level.
And so in plan A, it was 1.56 to 1; and plan B, it's 1.39 to 1.
Q. So why do they differ from plan A to plan B, the DCR ratios?
A. Because if you look at the loan to value,

refinance up to LTV 60 percent, the new debt in plan A is $2 million, 2,012,000; in plan B, it's $2.264 million. So there's a higher debt amount, and it's indicative of the higher monthly payment. Annual cash flow is lower on the right-hand side. So the debt coverage ratio came down.

Q. Okay. And so this chart, Exhibit F, that you prepared in September 2020, are there any, again, written standards that tell you exactly how to plug these numbers in, or is this something you've come up with on your own?

A. There's one thing in my background that I failed to state early on when you asked me about my professional experience, and it was not intentionally omitted.

I will say that the work product associated with most of these, if not all these exhibits, is from my CCIM education. 11 years ago, I was part of a group that chartered a bank near Lake Charles -- well, in Lake Charles, and I was quite familiar with commercial lending practice as part of chartering that bank.

And so these methodologies of debt coverage ratios and loan to value and quantifying debt service and discount rates was from -- a result of that experience. So I'm sorry I omitted that earlier.

Q. Okay. And so when you say you chartered a bank, can you explain that?

A. A group of investors -- well, a dear colleague of mine and I organized a group to raise funds to start a bank, a consumer bank in Lake Charles, and we ended up opening it 11 years ago.

Q. Is it still open today?

A. It is.

Q. Okay. And so you said some of these charts used your knowledge that you got from chartering this bank. Did you attend any educational classes or anything like that with regards to these types of issues with chartering the bank?

A. We had educational sessions with the FDIC and the state -- state banking commission.

Q. And what kind of education?

A. Director education, as well as we had regular board meetings and helped evaluate commercial -- helped evaluate guidelines in commercial lending and underwriting.

Q. Okay. So it wasn't -- were you in a classroom with this education, or you just mean like on-the-job experience of being in a board meeting that you learned these issues?

A. Classes as well as board meetings.

Q. About how many hours of classroom education?
A. Oh, 16 or 20. Again, the majority of the education experience -- let's say 95 percent of this educational background to complete all of these exhibits is from CCIM coursework. And I do have it on my list to send you some of those templates for calculating net present value and other methodologies.
Q. Okay. All right. We'll move on to Exhibit G, which is prepared on March 15, 2021, correct?
A. Yes, ma'am.
Q. And it's using the same method that you used in Exhibit F?
A. That's correct.
Q. What were you comparing in plan A and plan B on this exhibit?
A. Shorter-term lease potential in plan A, non-GSA for the second.
Q. And again, I'm sorry, I don't mean to interrupt, but when you're using the non-GSA under plan A, you're assuming a three- to five-year lease deal?
A. Yes, ma'am.
Q. Which also assumes that the property would remain vacant?
A. In this -- in the cap rate illustration, it

takes a -- it measures it as a cap rate on one year's worth of income. And so -- and that purpose is to establish a value in today's terms so as to calculate or quantify a lending amount. It does not -- the intention is not to measure a future series of income -- a series of future income events. It's measuring today.

Q. But the cap rate is based on -- oh, I'm sorry.

A. It measures -- it's based upon what's it worth today. And the cap rates, again, move over time. Cap rates move based upon interest rate movement. It also moves on credit of tenant, duration of lease, et cetera.

Q. Correct. So your cap rate is dependent on the duration of the lease. And whenever, in plan A, you assume a non-GSA three- to five-year deal, that will be -- your cap rate will depend -- will necessarily look into the three- to five-year deal as opposed to a ten-year deal that we saw on plan B on Exhibit F, correct?

A. I think I understood that. Yes, it is different from -- from F, in that this now takes into consideration, six months later, looking at the likelihood of getting not a ten-year deal and maybe, on average, a four-year deal.

Q. Which will affect the cap rate if you're assuming a three- to five-year deal --

A. That's correct.
Q. -- versus consecutive four-year leases or a ten-year lease or --
A. Correct.
Q. Okay.
A. The cap rate is used to measure at this moment in time, based upon these factors, what's the property worth.
Q. Okay. And on plan A of this spreadsheet, you have a cap rate of 7.79 percent. Can you explain how you got to that?
A. Yes, ma'am. I used -- I still used 6 percent for the immigrations custom 15-year deal. And then I used probably a 9 1/2 percent rate on the non-GSA piece and skewed it -- you know, didn't skew it, but it's somewhere in that bandwidth, blended between the two.
Q. Okay. And so where did you get the 9 percent on the non-GSA lease?
A. From experience in the market.
Q. Okay. And so is there anything that you can point to, you say, I have a ten-year lease; here's the cap rate. If I have a five-year lease, here's the cap rate? Is there anything you point to, or you just come up with this?
A. I can submit to you probably a few examples of

properties that have sold at -- office properties that have sold at a 9 cap in our market. I can send you that, if that's what you're asking.

Q. I'm just asking how you arrive at this 9 percent for a non-GSA three- to five-year deal.

A. From experience.

Q. Okay. So what did you rely on, like what kind of experience? Just give me a little bit more insight as to how you got this 9 percent.

A. From working of an inventory of 200 -- 2- to 300,000 square feet of office properties over the last several years; talking with appraisers, that in this current environment that we're in, multi-tenant office properties rate between 8 1/2 to 9 1/2 percent cap rates. And I used 9 as the midpoint.

Q. So do appraisers normally set the cap rates?

A. They don't set cap rates. They measure cap rates based upon actual sales.

Q. Okay. So an appraiser -- if a property was going to go up for sale, who would measure the cap rate for that sale?

A. The listing agent would -- should use his experience to look at comparable sales, and he may get that through the MLS or LACBD, which is a commercial database of investment -- of properties in Louisiana.

If it's a -- if it's a product that has potential national implication, like a Chick-fil-A, Chick-fil-A typically does a ground lease for their property, and so the Chick-fil-A ground leases have appeal to investors from all over the world.

So the broker should -- the broker or listing agent should look at local data, talk to appraisers, and then look at national platforms to see if what they're trying to bring to market is worthy of a look beyond their own boundaries of their current market, if that makes sense.

Q. Okay. And so when you keep saying that the broker would talk to an appraiser, what kind of information would the appraiser be provided -- what information are you getting from appraisers when you say you talk to them to set the cap rate -- measure the cap rate? I apologize.

A. The appraiser will take actual sales, and they maintain databases of, you know, hundreds if not thousands of properties. And if they have recent comparable sales, I can call an appraiser and I can say, Jack, I'm looking for comparable sales, last 12 months, multi-tenant office, 10- to 20,000 square feet. You got any comparables you can send me?

Q. Okay.

A. And what they would send me is either an e-mail or we'd talk over the phone. He'd say or she would say, I've got these, say, four properties. This one traded for $2 million, and it had a $180,000-a-year net operating income. So the net operating income divided by the sale price gets you cap rate. It sold at a 9 percent cap rate.

Similarly, you could sell a million-dollar property and it -- it had 700,000 -- excuse me, $70,000 of net operating income, a million-dollar sale price, that would be a 7 percent cap rate.

Q. Okay. So did you reach out to any appraisers to set the cap rates in this report?

A. I talked to other brokers.

Q. Okay. So you just spoke with other brokers. You didn't get any information from appraisers like you just described where she would send you the net operating expenses?

A. The brokers I talk with have been in this market or in other markets long enough. I trusted the -- trust the numbers that we talked about.

Q. All right. And how many brokers did you speak with to set the cap rates listed on Exhibit G of your report?

A. I think four or five.

Q. And do you recall who those brokers were?
A. I talked with Evelyn Ward out of Houston. I talked with Greg Thompson out of Alexandria, Louisiana. Matt Redd in Lake Charles. Maybe a few others, but those are the highlights.
Q. Okay. And when you're talking with people out of Houston and Alexandria, when you're setting the cap rate, are you looking at areas outside of Lake Charles or is it just Lake Charles?
A. I'm looking at Lake Charles, but I also want to take into consideration what's happening in my region.
Q. Okay.
A. But I don't have too much of a reliance on damaged properties or too much focus on one particular market segment.
Q. Okay.
A. I want to be eyes open to more than one set of experiences or data.
Q. Okay. On this Exhibit G, the very last box, estimated net losses associated with the differential, so the first one is the net difference in value after completion. And you're looking at plan A and plan B, correct?
A. That's correct.
Q. Which the value after completion, you said, is

the 226,450, which is the same in both plan A and plan B, and you multiply it by the cap rate, correct?
A. Correct. You divide it by the cap rate. Yes.
Q. Okay. And so then you get your value after completion using the cap rate?
A. That's correct.
Q. So the difference in between these two values after completion is based solely on the difference in the cap rates between plan A and plan B; is that correct?
A. That's correct.
Q. Okay. And the second -- the second one in this box, net difference in residual finance funds. And this one is based on -- can you go through where you get the residual finance funds -- the difference in residual finance funds, please?
A. Yes. So if you go to the first red line in the spreadsheet -- of the attachment, excuse me -- Exhibit G, if we -- if Joey would have refinanced $1,743,788, paid off his current -- then-current first mortgage of 1.1 million, and then he would have $643,000 -- $643,788 of new refinance proceeds.
He could then take some money and make upgrades to the exterior or other improvements to the building. He was going to have leasing commissions due on the GSA

lease as well as any other future lease for the second floor.

Both of those numbers are balanced out in either scenario, plan A or B. But in plan A, of lesser value, he would have had $124,000 of cash that he could have used on something else. In plan B, he would have had $394,000 of refinance proceeds to use for something else. And the difference between those two is the $269,000.

Q. Okay. And when you're looking at the refinance up to LTV on both of those, again, you're basing this on the value after completion; is that correct?

A. That's correct.

Q. And again, the value after completion is based solely on the cap rates between those -- plan A and plan B?

A. That's the main differentiator, yes, the cap rate.

Q. Okay. And so you're again looking at the value after completion, and you use a 60 percent refinance up to LTV. And once again, you're basing this number on the differential and the cap rate; is that correct?

A. It's a byproduct, because you use the same loan to value rate of 60 percent. Correct.

Q. Okay.

A. But you -- yes, the difference is cap rate.
Q. Okay. So when you're looking at the net difference in value after completion, you're comparing the differences in the cap rate?
A. Ultimately, yes.
Q. Okay. And again, when you're looking at the net difference and residual finance funds, this is also based on the value after completion, which is looking at the cap rate; is that correct?
A. They are -- they are slightly different in that one is the value, and then two is the ability to extract value. So the 448,000 is the difference in what they were -- the properties were worth. But the excess cash on the refinance is a stand-alone measure.
Q. But it's also based on the value of the property, what it's worth; is that correct?
A. Yes.
Q. What you can refinance is based on the value of the property?
A. Correct, it -- it ultimately is tied to what it's worth. But the function of -- of being able to extract cash is a secondary benefit.
Q. When you're looking at the net difference in value after completion and the net difference in residual finance funds, is there some overlap, that both

of these values are based on the value after completion, where you're considering the cap rate and the value of the property twice in both scenarios?

A. Can you ask me that one more time, Ms. Payne, please?

Q. Yes. The net difference in value after completion, which is solely based on the market cap rate; is that correct?

A. Correct.

Q. The differential in the market cap rate between plan A and plan B, correct?

A. Correct.

Q. Your second value here, the net difference in residual finance funds, is also based on the value of the building -- of the building after completion, which is again based on -- solely on the cap rate; is that correct?

A. It's different in that the difference in the two refinance models generated a different result in terms of cash that he could have used for something else.

Q. But it generated different models because the value -- you've measured the value of the building based on the cap rate; is that right?

A. We measured the value of the income stream to

the property based upon cap rate, correct.

Q. In this bottom box, the first net difference in value after completion, 448,000, that gives you, based on your calculations, the difference in the value of the building after completion of the rebuild; is that correct?

A. That gives you -- it gives you a book value. But the differentiator -- the cash in hand after refinance is a separate measurement consideration. This is if he holds it.

Q. Okay. But when you're using the net differential of the refinance, you're again valuing the value of the property; is that correct?

A. We're valuing the property based upon cap rate.

Q. Okay. So both of these net differences are based on the value of the property?

A. They are.

Q. Okay.

A. But if he holds the property in either scenario and in one he's holding on -- he's taking $394,000 and still has a $3.3 million building, or if he has a $3.3 million building and he's got additional cash that's less, it deserves measuring the differential between the two.

Q. So under plan A, you have your value of your

building, and then you could also refinance and pull money out, is what your two scenarios envision; is that correct?

A. Correct.

Q. Okay. So either you could sell the property, here's your value of your property, here's what it's worth, you could sell it --

A. You know, this contemplates appraisal. This isn't just -- just a sale illustration. This is a refinance, what's the property worth on my -- on my -- on an owner's books. And then additionally, if I am able to extract liquidity out of it to use for other things, that ought to receive its own consideration.

Q. Even though it's still based on the value of the property?

A. I believe, yes.

Q. Okay.

MS. PAYNE: Andrew, I know you said you had a drop-dead time that you had to leave. We are getting close to that. I have some other things to cover. Has your drop-dead time moved any.

THE WITNESS: What's your best guess, Ms. Payne?

MS. PAYNE: It's really hard -- I mean, I would say I probably at least have an hour. It could be

longer.

THE WITNESS: Okay. Let's -- let's talk about what's realistic, absent trudging through for another couple hours.

THE COURT REPORTER: Do you want to go off the record for this?

MS. PAYNE: Sure.

THE VIDEOGRAPHER: We're off the record at 1:22 p.m.

DEPOSITION ADJOURNED AT 1:22 P.M.

REPORTER'S PAGE

I, RITA DEROUEN, Certified Court Reporter in and for the State of Louisiana, (CCR #2014018), Registered Professional Reporter (RPR #006908), the officer, as defined in Rule 28 of the Federal Rules of Civil Procedure and/or Article 1434(B) of the Louisiana Code of Civil Procedure, do hereby state on the record:

That due to the interaction in the spontaneous discourse of the proceeding, double dashes (--) have been used to indicate pauses, changes in thought, and/or talkovers; that same is the proper method for a transcription of proceedings, and that the double dashes (--) do not indicate that words or phrases have been left out of this transcript;

That any spelling of words and/or names which could not be verified through reference material have been denoted with the parenthetical "(phonetic)";

That the parenthetical "(sic)" is used to denote when a witness stated a word or phrase that appears odd or erroneous to show that it was quoted exactly as it stands.

RITA DEROUEN, CCR, RPR

REPORTER'S CERTIFICATE

This certification is valid only for a transcript accompanied by my original signature and original required seal on this page.

I, Rita DeRouen, Certified Court Reporter in and for the State of Louisiana, (CCR #2014018), Registered Professional Reporter (RPR #006908), as the officer before this testimony was taken remotely via videoconferencing, do hereby certify that ANDREW VANCHIERE, having been duly sworn by me upon authority of R.S. 37:2554, did testify on the 6th day of August, 2021, from Washington, D.C., as hereinbefore set forth in the foregoing 123 pages; that this testimony was reported by me in stenographic shorthand, prepared and transcribed by me or under my personal direction and supervision, and is a true and correct transcript to the best of my ability and understanding; that the transcript has been prepared in compliance with transcript format guidelines required by statute and rules of the Board; that I am informed about the complete arrangement, financial or otherwise, with the person or entity making arrangements for deposition services; that I have acted in compliance with the prohibition on contractual relationships, as defined by Louisiana Code of Civil Procedure Article 1434 and in

Rules and Advisory Opinions of the Board; that I have no actual knowledge of any prohibited employment or contractual relationship, direct or indirect, between a court reporting firm and any party litigant in this matter, nor is there any such relationship between myself and a party litigant in this matter; that I am not related to counsel or to any of the parties hereto, I am in no manner associated with counsel for any of the interested parties to this litigation, and I am in no way concerned with the outcome thereof.

SIGNED THIS ______ DAY OF AUGUST, 2021, BATON ROUGE, LOUISIANA.

____

RITA DEROUEN, CCR, RPR

Exhibits